

Message Text

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70

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

DODE-00 PM-07 H-02 INR-10 L-03 NSAE-00 PA-03 PRS-01

USIA-12 ACDA-19 SCI-06 SCEM-02 AEC-11 COME-00 XMB-07

RSR-01 /193 W

----- 028212

R 080910 Z JUN 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6386

INFO AMEMBASSY BONN

USMISSION IAEA VIENNA

USMISSION EC BRUSSELS

AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 2522

E. O. 11652: N/ A

TAGS: ETRA, ENRG, YO

SUBJECT: KRSKO PROJECT: AMBASSADOR' S DISCUSSION WITH FINANCE
SECRETARY SMOLE

REF: BELGRADE A-307 (5/31/73)

1. SUMMARY: AT WORKING DINNER JUNE 6 AMBASSADOR MADE STRONG
PITCH TO YUGOSLAV CABINET MINISTERS (SMOLE/ FINANCE AND
DIMITRIJEVIC/ ECONOMY) ON KRSKO NUCLEAR PROJECT. AMBASSADOR
STRESSED SUPERIOR TECHNOLOGY AND PERFORMANCE. SMOLE COUNTERED
THAT GERMAN OFFER HAD MORE ATTRACTIVE OFFSET AND YUGOSLAV
PARTICIPATION ARRANGEMENTS. DECISION EXPECTED " VERY SOON".
EMBASSY RECOMMENDS THAT WESTINGHOUSE AND GE REVIEW THEIR PACKAGES
TO SEE IF THEY CAN SQUEEZE OUT ADDITIONAL OFFSET TO YUGOSLAVS.
ALTHOUGH SUPERIOR US TECHNOLOGY RECOGNIZED BY GOY, EMBASSY BELIEVES
THAT FINANCING WILL WEIGHT VERY HEAVILY IN FINAL DECISION. END
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SUMMARY.

2. AT WORKING DINNER JUNE 6 IN HONOR OF EXIM VICE- CHAIRMAN WALTER SAUER, AMBASSADOR USED PRESENCE FINANCE SECRETARY SMOLE AND ECONOMY SECRETARY DIMITRIJEVIC TO MAKE STRONG PITCH FOR WESTINGHOUSE/ GE BIDS ON KRSKO NUCLEAR PROJECT. AMBASSADOR BORE DOWN HARD ON POINTS OF SUPERIOR US TECHNOLOGY AND PROVEN PERFORMANCE AND SAFETY RECORD OF US- BUILT PLANTS OPERATING IN OTHER COUNTRIES, INCLUDING FRG.

3. SMOLE ACKNOWLEDGE GREAT US EXPERIENCE IN FIELD BUT COUNTERED THAT WESTINGHOUSE AND GE OFFERS WERE " VERY EXPENSIVE" BY COMPARISON TO GERMAN OFFER. ALTHOUGH NO DETAILS GIVEN, SMOLE INDICATED THAT GERMAN COUNTER- TRADE OFFERS AND PROVISIONS FOR PARTICIPATION BY YUGOSLAV SUPPLIERS WERE CONSIDERABLY MORE FAVORABLE THAN US OFFERS. HE ALSO MADE POINT THAT GOY MUST BE ABLE TO SHOW SOME SORT OF SOLID RETURN TO ITS TAXPAYERS FOR THIS MASSIVE EXPENDITURE IN ORDER TO FEND OFF CRITICISM, ESPECIALLY IN VIEW OF SENSITIVE NATURE OF NUCLEAR PROJECT ; E. G., FLAK FROM ENVIROMENTALISTS IN CROATIA.

4. ECONOMIC/ COMMERCIAL COUNSELOR MADE POINT IN ENSUING DISCUSSION ON PRICE THAT NUCLEAR POWER PLANT CONTRACTS NORMALLY HAVE ESCALATOR CLAUSES BUILT IN TO ABSORB INFLATIONARY LABOR/ MATERIAL COSTS IN HOME COUNTRY. FRG INFLATION RATES HAVE BEEN 3 PERCENT HIGHER THAN US RATES FOR MATERIALS AND COMPONENTS OF PRODUCT. YUGOSLAVS COULD THEREFORE SAVE APPROX \$10 MILLION ON U. S. SOURCING OVER CONSTRUCTION PERIOD OF CONTRACT.

5. BACK AND FORTH CONTINUED WITH SMOLE AT ONE POINT REMARKING THAT " IT WOULD BE NICE TO BE ABLE TO BUY A CADILLAC BUT IF YOU HAVE NOT GOT THE MONEY YOU HAVE TO SETTLE FOR A FIAT". SMOLE ADDED THAT DECISION WILL BE MADE " VERY SOON" AND THAT YUGOSLAV AUTHORITIES MUST, THEREFORE, STUDY PROJECT " VERY CAREFULLY" FROM ALL ASPECTS.

6. IN CLOSING REMARK TO COLLEAGUE, DIMITRIJEVIC, SMOLE STATED (IN SERBO- CROATIAN) THAT " WITH ALL DUE RESPECT TO US FIRMS, IT'S A LOT OF MONEY IN QUESTION".

7. COMMENT: FROM TECHNICAL POINT OF VIEW, THERE IS NO DOUBT LIMITED OFFICIAL USE

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THAT YUGOSLAVS WANT AMERICAN- BUILT NUCLEAR PLANT. ALTHOUGH THEIR AGONIZING OVER THE PRICE THEY WILL HAVE TO PAY IS IN PART THEATRICAL AND DESIGNED TO SQUEEZE A ROCK- BOTTOM BID OUT OF THE US COMPETITORS, EMBASSY RECOMMENDS THAT BOTH WESTINGHOUSE AND GE REVIEW THEIR PACKAGES AND SEE IF THEY CAN FIND SOMETHING ADDITIONAL TO OFFER THE YUGOSLAVS. WHILE SUPERIOR TECHNOLOGY IMPORTANT FACTOR, PRICE FINANCING AND OFF- SET ARRANGEMENTS WILL

OBVIOUSLY WEIGH VERY HEAVILY WHEN FINAL GOY DECISION MADE.
TOON

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